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Bonn Airs Stock Sale Test

In his second article on popular investment shares—Volksaktien—in Austria, Ernest S. Pisko, staff specialist of The Christian Science Monitor in economic and political affairs of Central Europe, discusses the spread of this idea to West Germany.

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About the same motives that prompted Austria, last February, to make its first experiment with the issuing on Volksaktien (popular investment shares) have induced the West German Government to follow suit.

At last May's party conference of the Christian Democratic Union, Federal Economic Minister Prof. Ludwig Erhard announced that a new phase in West Germany's "social market economy" was to be inaugurated. The aim of this new phase was to give a large portion of the population an opportunity to become co-owners of the "means of production."

Professor Erhard said a beginning would be made with popular investment shares to be issued by the Volkswagen Works.

Clever Choice

The choice of the Volkswagen Works was in one respect a clever move. There is hardly a single German who is not familiar with the fantastic rise of Volkswagen production. Practically every second car one sees on German highways is a Volkswagen, and the small but fast and sturdy car is the dream object of most of those millions of Germans who hope that, some day, they, too, will be able to buy an automobile.

All this establishes an almost ideal atmosphere for the placing of Volkswagen shares.

Yet in another respect, Professor Erhard's choice was unfortunate because the question of who owns the Volkswagen Works has not been answered yet to the satisfaction of all concerned.

The complications date back to 1938 when a Nazi promotion scheme induced hundreds of

thousands of Germans and Austrians to make advance installment payments on Volkswagen to be delivered in the fall of 1939. But when the delivery date came, World War II had broken out and the factory already had switched to production of military vehicles.

Restitution Stalled

Not a single passenger car was delivered, nor were the advanced payments returned to the would-be buyers. During the inflation of the years 1945 to 1948, these payments shrank to a fraction of their original value. So far, neither the problem of restitution nor that of ownership has been settled with finality.

As it is, the Volkswagen Works present the unique example of a flourishing enterprise which has a management but no legal owners. Ever since it was rebuilt, literally from scratch, by its own workers and engineers, it has been under trusteeship administration by the federal government and the state of Lower Saxony where its plants are located.

The federal government, at the end of last May, published a draft bill to be introduced in the Bundestag (lower house) according to which the (West) German Federal Republic is to become owner of the Volkswagen Works and the firm is to be changed into a joint stock company.

Purchases Limited

Of the original capital, which is estimated to be fixed at about 500,000,000 marks (about \$120,000,000), one fourth is to be used at the lowest legal face amount, and nobody shall be allowed to buy shares for more than one-twenty thousandth of the original capital. This would limit individual purchases to stock with a face value of 25,000 marks.

There are some exceptions to this provision regarding investment firms as well as the federal government, but even where larger holdings are concentrated in one hand, the owner's voting rights are to be

limited to a 25,000-mark holding.

In contrast to the Austrian type of the Volksaktie, the German type is to carry voting rights. Another difference, proposed in the Bonn government's draft bill, is that prospective buyers of Volkswagen shares with a taxable annual income of not more than 9,000 marks shall be granted a 20-per cent price reduction and those with a taxable annual income of no more than 15,000 marks a 10 per cent reduction.

Runs Into Opposition

Both the general concept of popular investment shares and the specific plan regarding the Volkswagen Works have run into opposition.

Heinz Nordhoff, the firm's general manager who has raised it to its present annual turnover of some 1,500,000,000 marks, is believed to oppose the transaction. He seems supported by a majority of his workers. Two weeks after Professor Erhard's announcement there was a brief protest strike at the Hannover plant. Presumably the workers are apprehensive lest in the course of the reprivatization of their enterprise changes in management and the labor policy might occur.

The state of Lower Saxony is almost certain to fight against relinquishing its present hold on the firm. There is also opposition from the Social Democrats who say it would be more important to sell lower-priced cars than low-priced shares. Actually, it has been maintained for some time that the Volkswagen is overpriced and that the firm still could make a reasonable profit if it sold the car at about 3,000 marks instead of the present price of some 4,000 marks.

Patience Urgent

Hamburg's independent newspaper Die Welt pointed out, last May, that a number of laws will have to be passed in order to straighten out the ownership tangle at the Volkswagen Works. Therefore, the paper, said, "We shall have to exercise patience until the idea [of the issuing of low-priced Volkswagen stock] will be followed by action."